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Evaluation

Evaluation of the cooperation agreement between the United Nations Industrial Development Organization and UNDP — Executive summary*

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* The compilation of data required to provide the Executive Board with the most current information has delayed submission of the present report.

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I. Purpose, objective and scope

1. The present evaluation report is the result of a joint terminal evaluation of the cooperation agreement between UNDP and the United Nations Industrial Development Organization (UNIDO) signed on 23 September 2004 for a period of five years. The evaluation was launched in response to the requirement of the UNIDO Industrial Development Board. The purpose of the evaluation is to present evidence and findings on past performance as well as recommendations for future steps to be taken by both organizations. The evaluation findings and recommendations will be presented to the UNDP Executive Board during its second regular session 2009 and to the UNIDO General Conference in December 2009.

2. The objective of the evaluation was to assess the extent to which the work carried out under the agreement succeeded in achieving the goals specified in the agreement. The present terminal evaluation builds on the joint midterm assessment conducted in 2006, but focuses on the 2006 to 2009 period. It was conducted jointly from March to July 2009 by the UNDP Evaluation Office and the UNIDO Evaluation Group, and carried out by two independent consultants with support from the professional staff of the evaluation offices of UNDP and UNIDO.

3. The evaluation covers the two components of the cooperation agreement: the 'UNIDO desks' component and the 'joint private sector development' component. It addresses the relevance, efficiency, effectiveness and sustainability of the cooperation agreement; and, in so doing, it covers the implementation process and the progress made towards the intended results.

4. This evaluation does not assess development results of UNIDO/UNDP projects or programmes. This is not an evaluation of projects, nor a performance appraisal of individual local heads of UNIDO operations. Rather, it assesses the institutional performance related to achieving the objectives in the cooperation agreement.

II. Methodology

5. Based on the experience of the midterm assessment of the agreement, a mixed method (quantitative and qualitative) approach was deemed necessary. The evaluation involved the following key components: (a) background research and desk review; (b) stakeholder mapping and analysis; (c) data collection from primary and secondary sources, including field validation missions and visits to the headquarters of both organizations; and (d) data analysis and triangulation.

6. The background research and desk review was conducted to attain full understanding of the context of the agreement and to design the evaluation. For primary data, partners were identified from government, bilateral donors, the private sector and civil society organizations. For secondary data, staff of UNDP and UNIDO (at headquarters and in pilot countries), as well as the United Nations country teams (heads of United Nations organizations), were selected.

7. The data collection involved: (a) desk review and document analysis; (b) semi-structured interviews at headquarters and in five countries selected for the validation missions; and (c) surveys targeting selected stakeholders, including a self-assessment for the heads of UNIDO operations (UNIDO desk staff).

8. The evaluation included field missions to five selected countries, primarily to validate the findings of headquarters interviews and the desk review. The five countries

were: Armenia, Bolivia, the Lao People's Democratic Republic, Nicaragua, and Rwanda.

9. Views expressed by the staff from each organization were triangulated with the views of the other organizations, evidence from national counterparts and documentary evidence.

III. Limitations and constraints

10. There are structural asymmetries in the agreement that also affect the methodology of this evaluation; the most important ones relate to the differences in financial and human resources available as well as the programming arrangements of the two organizations. UNDP conducts operations in 166 countries and has a highly decentralized structure; the primary approach of UNDP is that of national execution.[1] The UNIDO field network comprises 16 country offices and 12 regional offices.[2] Programming arrangements are mainly determined at the headquarters. Thus, the primary UNIDO approach is that of direct execution.

11. Those asymmetries led to differences in terms of the immediate and potential benefits of the agreement, affecting the level of interest in each organization for the effective implementation of the agreement. For UNIDO, the stakes are much higher than for UNDP, in particular with regard to the expansion of its field presence. Information and knowledge about the functioning of the UNIDO desk are therefore mainly from UNIDO sources and UNIDO staff, respectively, while knowledge about the UNIDO desks on the part of UNDP side was rather limited, particularly at headquarters. As a result, UNIDO data sources are more frequently used in this evaluation. The evaluation team has taken this into account and has made an effort to filter out possible biases from responses.

IV. Main findings

12. While its objectives remain important, the cooperation agreement has lost its relevance as a platform for joint programming, particularly in light of the UNDAF guidelines. On the other hand, the need remains for operational agreements defining the administrative and logistical support to the UNIDO desks.

Findings: UNIDO desks

13. The expanded UNIDO field representation is increasingly important to UNIDO, while to UNDP the UNIDO desks are of limited relevance. The staffing of the UNIDO desk with nationals is appropriate and adequate. However, there is a mismatch between the many tasks assigned to the heads of UNIDO operations and the tools provided to handle them.

14. With a field representation in 46 countries by the end of 2009, UNIDO has – thanks to the agreement – expanded its country presence by over 50 per cent. National governments and other development partners generally appreciate the actual or potential role of UNIDO desks as advisors on sustainable industrial development.

[1] Regional and global programmes are overseen directly by headquarters; however, these constitute a fraction of UNDP expenditure.

[2] In addition, it extends its presence through 34 national 'cleaner production' centres, 19 investment and technology promotion centres and 9 technology centres.

UNIDO desks normally participate in the United Nations country and contribute to the common country assessment and United Nations Development Framework (UNDAF) processes and to the development of new UNIDO projects. However, the establishment of UNIDO desks does not automatically lead to an increased delivery of UNIDO services or to greater and more effective articulation with the national development planning and management processes.

15. The contribution of UNIDO desks to the efficient implementation of projects is uneven. Several factors constrain them, including limited decision-making power, time-consuming communication with headquarters through UNIDO regional offices, limited human resources, lack of access to UNIDO information technology tools for resource planning, and incompletely clarified responsibilities of heads of UNIDO operations in the area of programme implementation.

16. In some countries the cost of the UNIDO desk is high compared with the volume of activities (delivery). As demonstrated in chapter 3.2.3 of the full report on the effectiveness of the UNIDO desk, delivery is only one of several criteria, and it is indicative for only one of the core functions of a UNIDO desk, namely, support to project implementation. There are other important functions, such as the advisory role to governments, participation in the UNDAF process and strengthening the United Nations country team. Justification of a desk depends on the specific functions of the desk in a particular country during a particular period. Whether or not a UNIDO desk in a given country can be justified over the long-term cannot be dealt with merely by comparing cost with delivery.

Findings: Joint private sector development programme

17. The emergence of several joint programme funding initiatives, as well as the progress made in the operationalization of United Nations reform, have, to a large extent, made the cooperation agreement redundant with respect to joint private sector development programmes.

18. The constraints encountered during the implementation of the programmes and the incidences of failure were found not to have been affected by the choice of target countries. All the host countries covered by the agreement had employment creation and income generation as priority areas in their respective national policies.

19. The cooperation did not lead to expanded private sector development programmes with enhanced impact. Only two projects from the original joint programming exercise passed the formulation stage and went into implementation (the Lao People's Democratic Republic and Rwanda). In both cases, only a small fraction of the original budget could be mobilized.

20. No evidence was found indicating that the joint programmes led to broader inter-agency coordination in private sector development: this was brought about by the presence of UNIDO desks. In most countries, the heads of UNIDO operations participated as members of the formulation teams for joint projects and played a significant role in relating the projects to local conditions by involving relevant partners and stakeholders.

V. Conclusions

21. The cooperation agreement signed in 2004 was visionary in addressing, at an early stage, issues of enhanced system-wide coherence,[3] but did not fully internalize the country-level conditions or take into account the existing modalities for inter-agency collaboration, in particular the joint programming modalities suggested by the United Nations Development Operations Coordination Office (DOCO).

22. The bilateral partnership failed to avail itself of the opportunity to involve other United Nations organizations working in the area of private sector development.

23. The systemic asymmetries in programming arrangements posed a considerable challenge to the successful implementation of the cooperation agreement.

24. The focus of the agreement on a particularly difficult area for cooperation posed an additional challenge.

25. As an incentive for joint programming, the cooperation agreement was of limited relevance and effectiveness.

The UNIDO desk

26. The central role of the UNDAF for the United Nations system at the country level and the progress in system-wide coherence increase the relevance of a UNIDO country presence, and its continued participation in the United Nations country teams, in line with the Triennial Comprehensive Policy Review of 2008. The cooperation agreement helped UNIDO achieve its aim of enhancing field presence to provide better support to countries. However, the benefit to UNDP of expanding its capacity in private sector development through collaboration would appear minimal.

27. Several UNIDO desks have demonstrated that the concept of the UNIDO desk works. However, not every UNIDO desk has added value to the programme country, and it is a shortcoming that UNIDO has not established a functioning review mechanism for the desks.

28. The ambitious goal of UNIDO to expand its field presence to 80 countries by means of the cooperation agreement has not been achieved and appears unrealistic unless the technical cooperation implementation capacity of UNIDO headquarters is increased.

29. As indicated above, the cost of the UNIDO desk is high compared with the volume of activities (delivery) in some countries. However, an adequate ratio between the cost of a UNIDO desk and the volume of UNIDO activities (delivery) can only be set on a country-by-country basis depending on the relative importance of each of the core functions assigned to a UNIDO desk. The logistical arrangement of housing UNIDO desks in UNDP premises has been beneficial.

Joint private sector development programme

30. The initiative of establishing a coordinated approach to private-sector development was visionary in responding to the recommendations of the *Unleashing Entrepreneurship* report of the Commission on the Private Sector and Development.

31. The private sector development component of the agreement did not achieve any results.

[3] The 'Delivering as One' report of the Secretary-General's High-level Panel on United Nations System-wide Coherence was released in November 2006.

32. The lack of established procedures and clear operational guidance for the implementation of the agreement at the country level led each organization to proceed according to its respective modus operandi, slowing progress in joint programming and fundraising for private sector development.

33. The comparative advantages of UNDP and UNIDO in private sector development are not obvious to governments and donors; neither are the synergies of the two organizations working together in private sector development.

34. Trust funds such as the Millennium Development Goals Achievement Fund and the Trust Fund for Human Security represent stronger incentives for the United Nations system to work effectively together than do bilateral cooperation agreements.

VI. Recommendations

35. *Recommendation 1.* In line with United Nations reform efforts, bilateral agreements among United Nations organizations working on private sector development should be replaced with a system-wide cluster approach involving all relevant units, so as to further coordination, coherence and synergies.

36. *Recommendation 2.* Until a system-wide approach is developed, the existing partnership agreement between UNIDO and UNDP should be replaced with a memorandum of understanding that defines operational and administrative arrangements at the country level, including provisions for UNIDO desks. The memorandum of understanding should provide an institutional framework of cooperation and facilitate collaboration between the parties.

UNIDO desks

37. *Recommendation 3.* The expansion of UNIDO desks must be commensurate with the technical, human and financial capacities of UNIDO headquarters so as to be able to provide the necessary support and to respond effectively to the increased demand for technical assistance triggered by new UNIDO desks.

38. *Recommendation 4.* UNIDO must establish a transparent selection and review mechanism to guide the expansion of its country presence through the desk modality and to monitor progress towards the intended results. Some of the considerations to be borne in mind when expanding the desks are:

(a) Level of government and private sector interest and demand;
(b) Alignment with the UNDAF;
(c) Substantial pre-existing volume and trend in the UNIDO portfolio; and
(d) Funding opportunities for UNIDO projects.

39. *Recommendation 5.* UNIDO should conduct a feasibility study based on the above criteria before any new investment is made to establish a UNIDO desk, so as to minimize the risk of failure.

40. *Recommendation 6.* The review of existing UNIDO desks, as outlined above, should be conducted annually by a panel comprising representatives of the various divisions in UNIDO.

41. *Recommendation 7.* Taking into account the limited capacities of the UNIDO desks, priorities must be set for each country with regard to which functions should be prominent. Priorities must be established, and the role of the head of UNIDO operations role must be clarified internally and externally, empowered by UNIDO. Taking into account the specific country situation, the team recommends using two

different staffing modalities for the desks (see table 5.1.9 in the full report). Well established desks, or desks in countries with a significant UNIDO portfolio, should be managed by national UNIDO country directors. New UNIDO desks, or desks in countries with a small UNIDO portfolio, should be managed by assistant representatives. The title 'Head of UNIDO Operations' is confusing and should be discontinued.

Joint private sector development programmes

42. *Recommendation 8.* The joint private sector development programmes component of the cooperation agreement should not be renewed upon the expiration of the original five-year period. Evidence shows that other developments, such as strengthened United Nations Reform processes at the country level and new aid modalities such as the MDG Achievement Funds provide more effective incentives for the coordination and cooperation envisaged in the agreement.

43. *Recommendation 9.* Both UNDP and UNIDO should resist the temptation of establishing a too-rigid global division of labour within private sector development. Each country context is different and may require a different division of labour, building on the comparative advantage (such as experience or breadth of network) of each organization in a particular country.

44. *Recommendation 10.* Whenever the two organizations embark on joint projects (private sector development or other), they should pay close attention to the issue of implementation modalities and the division of labour between them. DOCO modalities should be referred to, and the agreed modalities and division of labour should be included in the project document beforehand. Modalities for mobilizing funds should also be agreed upon in advance.

VII. Lessons learned

45. The central role of the UNDAF for the United Nations system at the country-level and progress in the 'delivering as one' initiative makes the continued participation of the United Nations specialized agencies, funds and programmes in the United Nations country teams increasingly important. Although not a requirement, permanent country presence facilitates this participation.

46. The proximity of the United Nations specialized agencies to UNDP and other United Nations organizations in common premises ('UN House') are beneficial to the specialized agencies and the United Nations country team as a whole. It facilitates collaboration and allows for pooled administrative services and logistical support.

47. Having United Nations specialized agencies with relatively small country presences staffed and headed by nationals is a workable, cost-effective alternative to relying on international staff. Familiarity with the country context and professional networks can be very beneficial.

48. The initiative of two United Nations organizations to raise funds jointly for joint projects has not worked in the case of the present cooperation agreement. Evidence suggests that this approach is unlikely to produce results in any future attempts, given (a) the trend towards United Nations system-wide joint planning and fundraising; (b) the trend towards an increased share of official development assistance being directed to budget support; and (c) the limited incentives to raise funds jointly when organizations are competing in a shrinking pool of funding for technical cooperation.

49. Many actors are operating in the private sector development segment, and most of the larger ones have direct access to funding (from sources such as the European Union, the World Bank and the International Fund for Agricultural Development). Only when relevant and specialized competences and services can be offered will there be demand and possibilities for funding for organizations that lack their own resources. This is the case for most United Nations organizations.

50. The systemic asymmetries of organizations that enter into an agreement should be reflected in the design of that agreement by means of specific provisions. Agreements between UNDP and non-resident agencies that aim at combining the advantages of the UNDP country presence with the headquarters-based specialized competence of the non-resident agency need to ensure adequate involvement of the UNDP country offices in the process of developing the agreement.